Non-financial and Sustainability Information Statement

For the FY23 reporting year the Group is required to comply with climate-related financial disclosures as implemented by the UK Government, which are aligned to the Taskforce on Climate-related Financial Disclosures (TCFD)'s recommendations. The disclosures below are structured in line with the four core elements of the TCFD framework: governance, risk management, strategy and metrics and targets.

Governance

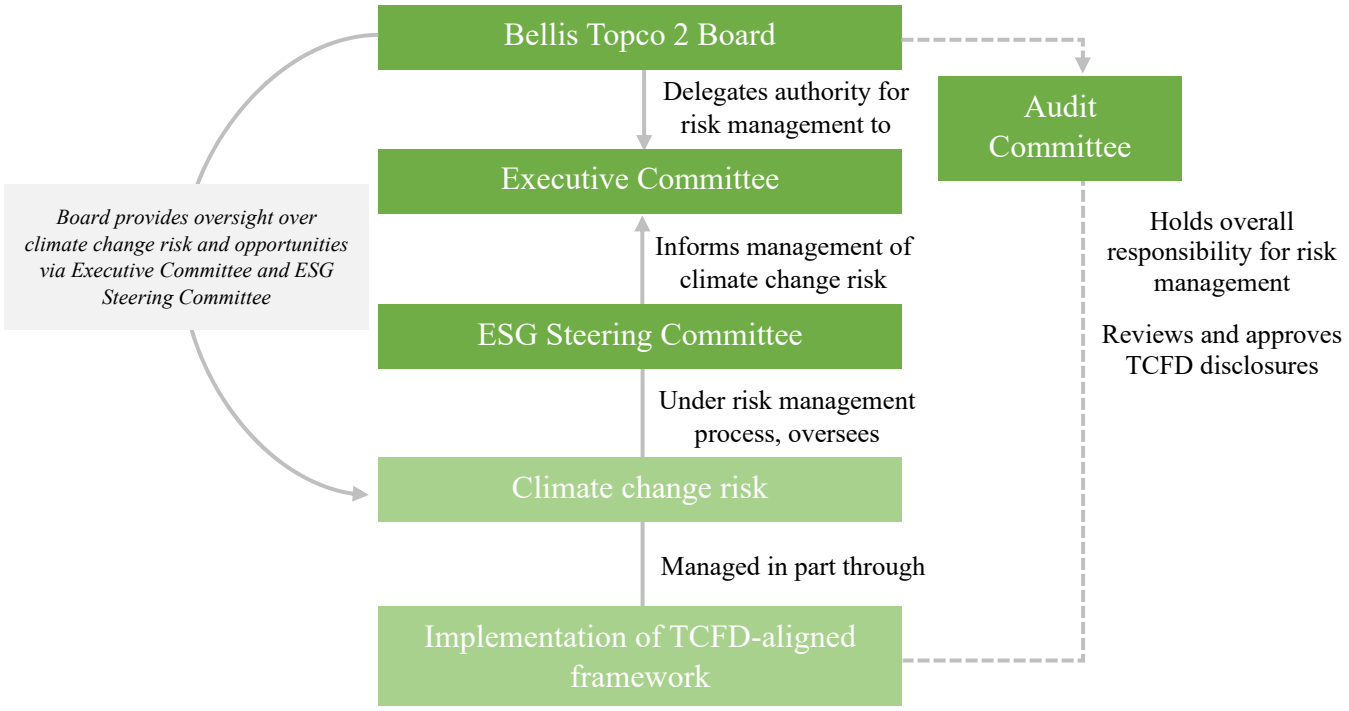
Asda's Board is ultimately responsible and accountable for overseeing the effectiveness of risk management process, including identification of the principal risks facing our business. Climate risk was designated as a Principal Risk in FY22.

The Board delegates responsibility for risk management to the Executive Committee. Responsibility for managing climate risk is held by the ESG Steering Committee, a sub-committee of the Executive which is attended by the Chief Finance Officer, General Counsel, Chief People and Customer Affairs Officer and Chief Commercial Officer - Food. The ESG Steering Committee meets every two months and has responsibility for Asda's ESG policies and for mitigating Asda's climate change enterprise risk, and providing updates to the Audit Committee.

Opportunities related to climate change are further supplemented by the Transformation team which is responsible for strategic planning.

Refer to the Approach to Risk Management section on p. 42 for further detail, and specifically the climate change principal risk and uncertainty (p. 50). For further information on each of the governance groups included within the diagram below, please also refer to the Governance section of the Strategic Report, Principle three: Director Responsibilities (p. 30).

Climate Risk Governance Structure



Risk Management

Under our Principal Risk management framework, the ESG Steering Committee is responsible for managing climate risk for the Group. This includes identifying, recording and assessing the possible impact and likelihood of climate-related risks, as well as agreeing mitigation and action plans where required.

Relative to the Group's broader and long-established Principal Risk register, FY23 marked the second year of climate change being included as a Principal Risk for the Group and we are therefore in the development phase of our management of climate change risk. During the year we sought the support of external specialists to enhance our risk identification process and ensure more effective integration of climate risk management within our strategy and business planning.

Taking detailed input from subject matter experts from across the business, supported by a broader landscape review and detailed industry benchmarking, we have developed a functional risk register which is overseen by the ESG Steering Committee and is reviewed on a half yearly basis. The table below summarises the key climate-related risks identified through this process. This is not intended to be an exhaustive list, but indicates the likely relatively most material risks and opportunities.

Risk/opportunity type	Risk/opportunity	Impact pathway	Asda value chain impact	Risk/opportunity time horizon
Physical risk	Extreme heat	Impact of fridge and/or freezer failure on sales of chilled/frozen goods and potential loss of inventory	Revenue, costs, assets	Near term, medium term
Physical risk	Extreme heat	Impact on supply of poultry both for meat sales and use as a raw ingredient	Revenue, cost prices	Medium term
Physical risk	Drought	Impact on supply of tomatoes	Revenue, cost prices	Medium term
Transitional risk	Carbon pricing	Cost exposure from own operations to possible future carbon pricing/taxation mechanisms; pricing strategy	Revenue, Costs	Medium term
Transitional risk	Fuel regulation	Risk of lost revenue due to possible future developments in fuel regulation and green energy transition	Revenue	Long term
Transitional opportunity	Shift in consumer preferences	Scale of opportunity from transitioning to alternatives to carbon-intensive meat products	Revenue	Near term, medium term

Note, Asda's acquisition of Euro Garages (Jersey) Ltd took place in October 2023. As a result the acquired business was not factored into the Group's climate risk assessment during the majority of the reporting period; however due to the similar nature of the acquired business, the most material risks associated with it are considered to be covered by the key risks detailed above. As the Group integrates the acquired business we will continue to evolve our broader risk management processes to reflect the enlarged group.

Strategy

Asda's ESG programme forms a key part of our strategy, forming one of the four enablers which underpin our strategic priorities (see p.5). Part of the remit of the ESG Steering Committee is to manage the risks and opportunities associated with climate change, and ensure that these are embedded into our strategic planning. To help shape our understanding of the potential implications of both the physical and transition risks associated with climate change, and therefore inform this strategic planning, we have conducted qualitative scenario analysis with the support of an external specialist. This approach is intended to identify risk "hotspots" and provide a relative assessment of risks, in order that we can improve our strategies to manage them. It is not intended to provide an assessment of value at risk and relative level of risk for each risk/opportunity considered may therefore not be directly comparable.

Each risk has been assessed using a standard, recognised methodology, using the following risk formula:

The likelihood element uses climate models to take account of possible climate outcomes at specific locations, e.g. sourcing, manufacturing or operational sites. The impact element uses Asda data, including e.g. information about our assets and product-specific financial information, to determine the possible relative impact of each risk. This enables us to establish an overall risk rating across different time horizons and warming scenarios (described further below).

Based on this rating, the spectrum of outcomes ranges from low to high. A low risk is assumed to have very limited impact on our operations or finances, whereas high risk could have material operational and financial consequences if not appropriately mitigated. We take these risk assessments into account for our strategic planning on both a financial and operational basis, to ensure we appropriately mitigate the likelihood of risk, and are able to respond to the impact of such risks materialising.

As recommended by the TCFD we have considered our climate-related risks and opportunities in the context of three possible warming scenarios, which provide a range of possible future outcomes for the business. These are aligned to the Shared Socioeconomic Pathways (SSPs) as defined by the Intergovernmental Panel on Climate Change (IPCC), as follows:

- ***Optimistic:*** a Paris-aligned 1.5^{O}C scenario, (SSP1.2.6, net zero by 2050);
- ***Middle of the road:*** a <2^{O}C scenario, (SSP 2-4.5, delayed transition); and
- ***Pessimistic:*** a >3^{O}C warming scenario, (SSP 5-8.5, current policies).

Similarly, in line with the TCFD's recommendations we have considered each of these warming scenarios across three time horizons:

- ***Near term:*** present-2025;
- ***Medium:*** 2025-2030; and
- ***Long term:*** 2030-2050.

The near-term period reflects our detailed business planning cycle, whilst medium term indicates a broader strategic planning horizon. The long-term horizon reflects the time period over which the Group

plans its net zero roadmap and targets. It should be noted that risk evolution is not necessarily linear over the near to long-term time horizons due to complexities in the climate data, which give rise to the risk profiles evolution shown in the results detailed below.

Results of scenario analysis

Scenario analysis was conducted for the five risks and one opportunity we identified. The potential impacts from the risks could primarily impact the Group's availability of products in-store, and value and competitive positioning versus competitors, hindering our ability to meet our strategic objectives. However, the results demonstrate that the exposure to risk in the near term is very limited, particularly in a middle of the road scenario, with lower to moderate potential risk in the medium term.

Management considers the business to be resilient in the face of climate change risks, with mitigating factors already in place in areas such as managing the impact of extreme heat on operations. Additionally, with our vertically integrated sourcing model, through our subsidiary International Procurement and Logistics Ltd we have flexibility and influence when sourcing from regions where some of the types of products most likely to be exposed to the impacts of climate change originate (including tomatoes, as described below, and other produce sourced from similar regions). This model ensures we have close connections to suppliers to influence resilience planning, and enables us to diversify supply in response to risk factors as and when they arise.

Extreme heat: operational impact

We considered the possible impact of extreme heat increasing stress on cooling capabilities at our stores and distribution centres based on location-based climate forecasting. This could lead to stock or asset loss, or revenue loss due to failure of refrigeration units and inability to sell chilled food. The risks are considered lower in the near-medium term, increasing in a more pessimistic scenario.

	Optimistic (1.5^{O}C)	Middle of the road (<2^{O}C)	Pessimistic (>3 ^{O}C)
Near term (2025)	Lower-moderate	Lower	Lower-moderate
Medium term (2030)	Moderate	Lower	Moderate
Long term (2050)	Higher-moderate	Higher-moderate	Higher-moderate

We have mitigating actions in place to address the risks of heat impacting our operations, including:

- Adiabatic cooling which increases the capacity of refrigeration during ambient conditions;
- Autoload shedding to enable units to run at more efficient temperatures; and
- Investment in energy saving measure to reduce refrigeration load, including for example installation of chiller doors, LED lighting to reduce heat, and active fridge control to optimise efficiency.

Refer to the energy efficiency actions section on page 59 for further information.

Extreme heat: poultry supply

We analysed the potential impact of extreme heat on our poultry supply chain, shown in the table below. Extreme heat could impact animal welfare and lead to loss of poultry livestock by suppliers, leading to lost revenue by an inability to supply poultry products or for use as a raw ingredient. It could also lead to raw material price increases in the event of reduced availability in the market.

We work closely with our suppliers to assess and mitigate such risks. Risk assessments are carried out on a location basis to identify farms at risk of heat stress so that they can then be targeted with the appropriate level of mitigation. For higher risk farms, our suppliers are installing mitigations such as misting systems to provide cooling. Stocking density can also be reduced for the warmer months to

reduce the risk of heat stress. We also work with suppliers to ensure that colleagues have appropriate training on heat management to know when and how to implement measures to avoid the risk of stress.

	Optimistic (1.5^{O}C)	Middle of the road (<2^{O}C)	Pessimistic (>3 ^{O}C)
Near term (2025)	Lower	Lower	Moderate
Medium term (2030)	Moderate	Lower	Moderate
Long term (2050)	Moderate	Moderate	Higher-moderate

Working with suppliers to find sustainable and resilient farming methods forms part of our key ESG strategic priority: Nature.

Drought: tomatoes

Tomatoes were selected as a product for which to analyse the risk of drought as an example of one of many crops grown in areas such as southern Spain, as both sold directly to customers and as a key ingredient in many own brand and branded products. The risk of drought could lead to failure of supply leading to lost revenues, and/or increased cost prices due to more limited availability of tomatoes for resale or use as a raw material. The risks in the near-term across all warming scenarios are considered to be higher to moderate, with higher risk in the medium and long term.

	Optimistic (1.5^{O}C)	Middle of the road (<2^{O}C)	Pessimistic (>3 ^{O}C)
Near term (2025)	Higher-moderate	Higher-moderate	Higher-moderate
Medium term (2030)	Higher	Higher	Higher
Long term (2050)	Higher	Higher	Higher

Mitigating water shortages falls under our Nature ESG strategic priority. We're working on a number of important projects to support resilience in our supply chain and good water stewardship to mitigate and manage this risk. The mitigations below relate more broadly to produce with provenance similar to tomatoes.

As signatories of the Courtauld Commitment 2030 steered by WRAP, we're committed to targeting 50% of fresh food to be sourced from areas with sustainable water management by 2030. We are involved in projects in two key locations, Spain and South Africa, to support improvements in water management.

South Africa is a key region for fruit supply. At the start of FY23 we committed to a three-year programme to financially and operationally support a project with WRAP across the country. The project involves clearing invasive tree species from river corridors and restoring the natural river ways with native shrubs and trees, reducing the risk of drought and improving river flows. Ground water, river flow and water level monitoring enables data collection which can then be used to pilot initiatives with farmers in the local areas.

Doñana in Andalucia, Spain, is another key growing area for fresh produce. It is home to some key wetland areas which offer a resting place for migrating birds between northern Europe and South Africa, which are being put at risk due to a range of factors, including the use of water in crop growing. We've signed up to a three-year commitment to support farmers in improving water resilience through improved efficiency of usage, trialling initiatives and seeking improve water quality.

Closer to home, we have teamed up with Norfolk Rivers Trust, through their Water Sensitive Farming Initiative, working with the landowner to improve water quality and quantity within the River Nar catchment in north-west Norfolk. This river is a globally rare chalk stream and provides a unique habitat for a wide array of wildlife including brown trout, water voles and otters.

The on-farm intervention was installed to temporarily store surface water run-off from fields and capture pollutants. Slowing the flow of water at the site will not only reduce downstream flood risk, but it will also encourage the water to infiltrate and recharge the underground aquifer.

Water stewardship plays a pivotal role in achieving sustainable and climate-resilient supply chains, and projects like these help us to get closer to the Courtauld Commitment target of 50% of the UK's fresh food sourced from areas with sustainable water management.

Carbon pricing

We considered the impact of possible carbon pricing on our business, based on our target of reaching net zero scope 1 and 2 emissions by 2040. Carbon pricing could lead to increased costs for the business, hindering our ability to offer the best value for customers. Possible exposure to carbon prices would be greatest in the optimistic scenario in the near to medium terms, which would require an accelerated decarbonisation pathway, but would be lower in the middle of the road or pessimistic scenario.

We mitigate our risk of exposure to carbon pricing through our ambitious carbon reduction programme and 2040 net zero commitment, detailed further in the climate section above. We have already demonstrated significant progress in reducing our emissions versus the 2015 base by 41%, (excluding the acquisitions consolidated in FY23) and have a clear roadmap for achieving further reductions, including transitioning our delivery fleets to lower carbon or electric vehicles, electrification of our heating and cooling systems and energy efficiency actions. Please refer to our latest ESG Report available on our website for further information.

	Optimistic (1.5^{O}C)	Middle of the road (<2^{O}C)	Pessimistic (>3 ^{O}C)
Near term (2025)	Higher-moderate	Lower	Lower
Medium term (2030)	Higher-moderate	Lower	Lower
Long term (2050)	Lower	Lower	Lower

Fuel regulation

Changes to fuel policy could pose a possible transitional risk due to our presence in the fuel market, which was increased during the year with the acquisitions of Arthur Foodstores Ltd and Euro Garages (Jersey) Ltd. The Government's ban on the sale of internal combustion engine vehicles from 2035, or other similar policy decisions, could lead to reduced demand for fuel as consumers transition to electric vehicles (EVs). The risk is considered to be relatively low in the near to medium term as petrol and diesel vehicles will continue to be sold beyond the medium-term time horizon.

We're already preparing for the fuel transition, with EV charging capacity installed at a number of our stores. We continue to explore options for further roll out of EV charging, balancing capital investment, charge speed and pricing, as well as considering the planned electrification of our online delivery fleet, to establish the best commercial approach. We are also exploring trials of hydrogen powered vehicles in our heavy goods delivery fleet, which will provide us with a greater understanding of the role that this technology may play in the market in future. This work and exploration will inform our strategy over the medium to long term, where we expect that alternative fuel sources will form a part of our customer offering in order to mitigate any long-term decline in the fossil fuel market.

	Optimistic (1.5^{O}C)	Middle of the road (<2^{O}C)	Pessimistic (>3 ^{O}C)
Near term (2025)	Lower	Lower	Lower
Medium term (2030)	Moderate	Lower	Lower
Long term (2050)	Higher	Higher	Higher

Opportunity: shift in consumer preferences

We identified a potential shift in consumer preferences towards meat-free alternatives as an opportunity for our business, presenting a moderate opportunity in the near to longer term. This could enable us to better serve a wider range of customer needs as preferences for more sustainable food choices evolve.

	Optimistic (1.5^{O}C)	Middle of the road (<2^{O}C)	Pessimistic (>3 ^{O}C)
Near term (2025)	Moderate	Moderate	Moderate
Medium term (2030)	Moderate	Moderate	Moderate
Long term (2050)	Moderate	Higher-moderate	Moderate

The potential to harness the demand for meat-free or less carbon intensive products presents an opportunity to offer our customers more sustainable alternatives and forms a key part of our ESG strategy to offer healthy, sustainable choices to our customers.

We have already made significant progress in this area in FY23, launching two new meat-free sub brands: Plant Based, a healthy range of balanced, plant-based products, and OMV!, an unapologetically indulgent vegan range. These are just some of the steps we're taking to enable our customers to make greener choices, and to make climate-conscious business choices.

Metrics and Targets

The key metric we use to measure progress against climate-related risks and opportunities is our own emissions data. We have committed to achieving net zero emissions from our operations (scope 1 and 2) by 2040, and by 50% compared to a 2015 baseline by 2025. We have already achieved a 41% reduction since this level.

Please refer to the Streamlined Energy and Carbon Reporting section on p.58 above for details of our emissions in FY23. For details on all other ESG-related metrics, please refer to our latest ESG Report.